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Livestock and Products Annual

Livestock Sector Faces Continued Problems

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Report Highlights:
Egypt's cattle herd is forecast to stabilize in 2011, due largely to increased feeder/slaughter cattle imports. The Ministry of Agriculture and Land Reclamation has embarked on an effort to open new sources of import supply, while the private sector is reacting to strong domestic beef prices by increasing imports. The cattle inventories had been declining, primarily due to disease pressure, but recently also due to record high domestic beef prices, which have encouraged farmers to sell their dairy animals for slaughter. Domestic beef prices have reached record highs of over $17 per kg, double 2009 levels. Beef imports are forecast to increase in 2011, with an expectation of continued increases in tourism and increased willingness by Egyptian consumers to eat frozen beef.

Commodities:

Meat, Beef and Veal

Animal Numbers, Cattle

Production:

Egypt's cattle herd is forecast to stabilize in 2011, due largely to increased feeder/slaughter cattle imports. The Ministry of Agriculture and Land Reclamation has embarked on an effort to open new sources of supply, while the private sector is reacting to strong domestic beef prices. The cattle inventories had been declining, primarily due to disease pressure, but recently also due to record high domestic beef prices, which have encouraged farmers to sell their dairy animals for slaughter. Egypt's livestock industry faces the continued spread of Foot and Mouth Disease (FMD), which is endemic to Egypt, Lumpy Skin Disease (LSD) and Bovine Ephemeral Fever (BFV). These three diseases continue to raise havoc in 2010, impacting both live animals and the calving rate. Many dairy farms were forced to slaughter dairy cows for beef as a result of the BFV outbreak during the last two years and are expected to continue to do so. As a result of the sharp increase in beef prices, linked to the shortage in feeder cattle, many small holders sold their females for beef at higher prices. This reflected negatively on calf production. Post is forecasting a small recovery in calf production in 2011 as increased feeder/slaughter cattle imports takes some of the pressure off prices. NOTE: Post data on cattle inventories and production are largely based on our analysis of the sector and information from GOVS. Egypt's official data is based on an annual fixed percentage increase, which Post does not believe accurately reflects the situation. The rapid increase in domestic beef prices in 2010 appears to bear out Post estimates.)

Livestock is maintained primarily for dairy production. Although the bulk of the national herd is dispersed among a large number of small holders, the number of modern dairy farms is increasing and is currently estimated at 80. These new modern farms are scattered all over the country with a heavy concentration in northern part of the country where the climate is cooler and more suitable for raising imported cattle such as the 150,000 imported milking cows and their offspring, which are largely U.S. and European Holstein. In addition, there are 200-300 feedlots of various sizes, normally feeding about 350,000 buffalo and 450,000 cattle. The Cattleman's Bank and Cattle Insurance Fund assist these operations.

Based on the increased disease problems and high market demand for beef, Post continues to forecast a downward trend in average slaughter weights.

Inventories are expected to stabilize in 2011 with increased imports of live cattle, both ready for slaughter and feeder cattle, from Australia, South America and possibly from the United States and several European countries, as well as dairy cattle from the U.S and Germany.

Indicative Farm Gate Prices for Live Cattle and Buffalo (LE per kg live weight)

	2009	2010
Cattle	17	25
Buffalo	15	22

Source: Office Research
(U.S.$1 = LE 5.70)

Consumption:
Egyptians traditionally prefer beef to other meats such as sheep, lamb or goat. They also prefer fresh beef over frozen. However, since a great deal of beef is consumed in local stew-like dishes, price is much more important than quality. As a result, the poorest segments of the population prefer to buy imported frozen red meat from India or South America. On the other hand, the more affluent segment of population tends to think of imported frozen meat as an inferior product, due to its low price. The exception to this perception is the very limited amount of high quality frozen beef imported for use in hotels and restaurants, most of it imported from the United States.

Red meat consumption in Egypt is composed primarily of locally produced fresh meat and some imported ready for slaughter cattle that are imported and quarantined at the port of entry. In addition, there is some imported frozen meat from India, Brazil and Uruguay. The average per capita consumption of red meat including variety meats is estimated at 8.5 kg/year, which is quite low compared to consumption levels in other countries. The lower consumption is mainly due to limited local production combined with lower per capita income. Fresh meat prices have gone up dramatically in 2010 from LE 50 ($9) per kg to LE 70 ($12.50) in June and prices jumped to over LE 100 ($17.50) during Ramadan in late August. Prices increases are driven by the continued depletion of the Egyptian herd, due to the continued slaughtering of females, and the prevailing consumption patterns which prefer fresh meat over frozen.

Trade:
Egypt's General Organization for Veterinary Services (GOVS) is reviewing restrictions on feeder/slaughter cattle imports from countries with controlled risk BSE status. On August 25th, the Ministry of Agriculture announced that feeder cattle imports would be permitted from the United States. GOVS has also agreed to follow the OIE (World Animal Health Organization) guidelines for importation of beef from the United States, following a July 2010 confirmatory visit to the United States. U.S. beef exports are expected to find both an increased market in the high end restaurant trade, but also be more competitive with Brazilian and other South American suppliers.

Post forecasts continued increases in live cattle imports in 2011 to 200,000 head, driven by high beef prices and the preference for fresh, local beef versus imported chilled or frozen beef. Imports of live cattle are up sharply in 2010 and expected to reach 140,000 head. From January 2010 until May 2010, Egypt imported 63,510 head, compared to 23,281 for the same period in 2009, based on General Organization for Veterinary Services data. Imports increased due to the drop in local production and high prices. The restrictions on Irish cattle encouraged importers to source ready for slaughter cattle from other countries free of BSE such as Australia, Brazil, Djibouti and Uruguay. In addition, 1,463 head of pregnant heifers for milk production were imported by a private sector farm from Germany.

Feeder/Slaughter Cattle Imports – Jan-May 2010	
Origin	Number
Australia	29,057
Brazil	14,914
Djibouti	10,577
Uruguay	6,381
Other	2,581
TOTAL	63,510

Source: GOVS

After a10 year ban on live cattle imports from the U.S. due to the presence of Enzootic Bovine Leucosis (EBL), trade in live cattle was restored in 2008 with an initial shipment of 1,950 head. In 2010, an additional 850 head were imported by a private farm. More imports will follow as U.S Holstein maintains an excellent reputation as a milk producer. Government-linked dairy cattle imports tend to be from European origins as prices are cheaper, even though genetics are not as good.

In 2010, imports of frozen beef are expected to decrease slightly due to the quality and food safety problems associated with Indian meat, a major meat supplier to Egypt during the last few years, due to their low price. Imports are expected to resume their upward trend in 2011. This increase is due to the continued shortage of local meat production, a result of the recent trend of slaughtering females for meat due to the sharp increase in meat prices. Poorer Egyptian consumers are also more willing to consume frozen beef. Post also expects that India will make a concerted effort to re-establish their beef's reputation with GOVS and importers. NOTE: Post is using import data provided by the Veterinary Service which differ significantly from export data from the major supplying countries. Egypt Customs data, as reported on GTA, is questionable. END NOTE

Beef livers imports stabilized at about 85,000 MT per year and are expected to increase in 2011 as a result of the short supply of locally produced meat and poultry. Imported U.S beef liver is very popular among Egyptian consumers due to its low cost. Most frozen beef is imported in boxed forequarters or hindquarters. Imports of high-quality U.S. beef are growing due to the increased number of international restaurant chains. Egypt will begin importing U.S. beef in line with OIE guidelines in the coming months, which will further improve the competitive position of U.S. beef. From January through the end of May 2010 imports totaled 5,750 MT of frozen beef from the U.S as compared to 4,500 MT in 2009. The increase is due to higher demand by the hotel and restaurants, with grill rooms featuring U.S. beef in most five star hotels. Egypt attracted over 13 million tourists in 2009, although much of the package tourism trade relies on Indian and Brazilian beef. U.S. beef livers are also used in the package tourism trade, in part due to tastes and preferences of the largely West and East European clientele and also in applications where ground beef might normally be used.

Beef Exports from Major Suppliers to Egypt
(Quantity in MT)

	2008	2009
Brazil	65,000	72,000

India	44,000	28,000
Argentina	501	7,000

Source: GTA
NOTE - Post uses GOVS data for imports

Production, Supply and Demand Data Statistics:

	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Total Cattle Beg. Stks	6,248	6,248	6,248	6,200	6,200	6,200		6,210	6,100
Dairy Cows Beg. Stocks	3,934	3,934	3,934	3,905	3,864	3,860		3,870	3,830
Beef Cows Beg. Stocks	0	0	0	0	0	0		0	0
Production (Calf Crop)	1,822	1,822	1,822	1,808	1,700	1,650		1,700	1,650
Intra-EU Imports	0	0	0	0	0	0		0	0
Other Imports	45	45	45	55	70	140		200	200
Total Imports	45	45	45	55	70	140		200	200
Total Supply	8,115	8,115	8,115	8,063	7,970	7,990		8,110	7,950
Intra EU Exports	0	0	0	0	0	0		0	0
Other Exports	0	0	0	0	0	0		0	0
Total Exports	0	0	0	0	0	0		0	0
Cow Slaughter	390	390	390	400	350	450		300	300
Calf Slaughter	100	100	100	90	90	90		90	90
Other Slaughter	1,110	1,110	1,110	1,100	1,070	1,000		1,090	1,160
Total Slaughter	1,600	1,600	1,600	1,590	1,510	1,540		1,480	1,550
Loss	315	315	315	263	250	350		190	300
Ending Inventories	6,200	6,200	6,200	6,210	6,210	6,100		6,440	6,100
Total Distribution	8,115	8,115	8,115	8,063	7,970	7,990		8,110	7,950

Meat, Beef and Veal Egypt	2009			2010			2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Slaughter (Reference)	1,600	1,600	1,600	1,590	1,510	1,540		1,950	1,550
Beginning Stocks	0	0	0	0	0	0		0	0
Production	355	355	355	350	337	330		350	330
Intra-EU Imports	0	0	0	0	0	0		0	0
Other Imports	180	180	180	190	170	170		200	200
Total Imports	180	180	180	190	170	170		200	200
Total Supply	535	535	535	540	507	500		550	530
Intra EU Exports	0	0	0	0	0	0		0	0
Other Exports	0	0	0	0	0	0		0	0
Total Exports	0	0	0	0	0	0		0	0
Human Dom. Consumption	535	535	535	540	507	500		550	530
Other Use, Losses	0	0	0	0	0	0		0	0
Total Dom. Consumption	535	535	535	540	507	500		550	530
Ending Stocks	0	0	0	0	0	0		0	0
Total Distribution	535	535	535	540	507	500		550	530